

**LEGISLATIVE SERVICES AGENCY  
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

200 W. Washington, Suite 301  
Indianapolis, IN 46204  
(317) 233-0696  
<http://www.in.gov/legislative>

**FISCAL IMPACT STATEMENT**

**LS 7628**

**BILL NUMBER:** SB 476

**NOTE PREPARED:** Mar 15, 2005

**BILL AMENDED:**

**SUBJECT:** Property tax credits.

**FIRST AUTHOR:** Sen. Simpson

**BILL STATUS:** As Introduced

**FIRST SPONSOR:**

**FUNDS AFFECTED:** X GENERAL  
X DEDICATED  
FEDERAL

**IMPACT:** State & Local

**Summary of Legislation:** This bill provides that the homestead credit and the property tax replacement credit do not apply to taxes on the part of the assessed value of a homestead that exceeds \$500,000.

**Effective Date:** July 1, 2005.

**Explanation of State Expenditures:** The state pays Property Tax Replacement Credits (PTRC) in the amount of 60% of school general fund levies attributable to all property and 20% of the portion of all operating levies (including the remaining 40% of the school GF levy) that are attributable to real property and non-business personal property. Homestead credits are paid by the state in the amount of 20% of the net property tax due for qualifying funds on owner-occupied residences.

Under this proposal, payments of PTRC and homestead credits on homesteads would be limited to the first \$500,000 of assessed value. No state payments would be made on the AV that exceeds \$500,000. This bill would first be effective with property taxes paid in 2006.

An analysis of 2003 parcel level property tax data for 43 counties (including Lake, Marion, St. Joseph, and Vanderburgh) was performed to estimate the impact of limiting the AV that qualifies for PTRC and homestead credits.

Forty-one of the 43 counties have homesteads with AV more than \$500,000. Of the total 860,872 homesteads in the data, 3,953 (0.46%) had AV exceeding \$500,000. The percentage of homestead gross AV exceeding the ceiling is 0.86%. A recalculation of credits suggests that PTRC for homesteads and homestead credits would

each be reduced by about 1% under the proposal.

The total statewide impact for all counties was estimated using the data and results from the 43 counties along with available data for all other counties. The state savings in CY 2006 is estimated at \$8.0 M for PTRC and \$2.5 M for homestead credit, for a total of \$10.5 M. The total state savings is estimated at \$3.5 M in FY 2006 (partial year), \$10.7 M in FY 2007, and \$11.4 M in FY 2008.

PTRC and homestead credits are paid from the Property Tax Replacement Fund (PTRF). These credits are paid from the state General Fund if insufficient balances are available in the PTRF.

**Explanation of State Revenues:**

**Explanation of Local Expenditures:** Ten counties currently provide additional homestead credits that are paid with proceeds from the County Option Income Tax (COIT). These credits totaled \$34.8 M in CY 2003. The \$500,000 AV ceiling in this bill would reduce the cost of these local credits. The reduction is estimated at about \$550,000 per year. COIT proceeds that are not used for county homestead credits are distributed to civil taxing units as certified shares.

**Explanation of Local Revenues:** Total local revenues would be unaffected by this bill. Net property tax bills on homesteads with an AV exceeding \$500,000 would increase. In CY 2006, the increase is estimated at \$11.1 M (\$8.0 M PTRC + \$2.5 M state homestead + \$0.6 M COIT homestead).

**State Agencies Affected:**

**Local Agencies Affected:** County auditors.

**Information Sources:** Local Government Database; county auditor; Parcel level real property data.

**Fiscal Analyst:** Bob Sigalow, 317-232-9859.